

A LABOR DAY BRIEFING FOR CALIFORNIA

September 2000

State of California
Employment Development Department
Labor Market Information Division

This [Briefing](#) was prepared to report on California's labor markets as the nation commemorates Labor Day, September 4. This report presents significant labor market trends and topical statistics relating to the California economy.

The [Labor Day Briefing](#) is a preview of our upcoming report, [The State of the State's Labor Markets, 2000](#).

Gray Davis, Governor
State of California

Grantland Johnson, Secretary
Health and Human Services Agency

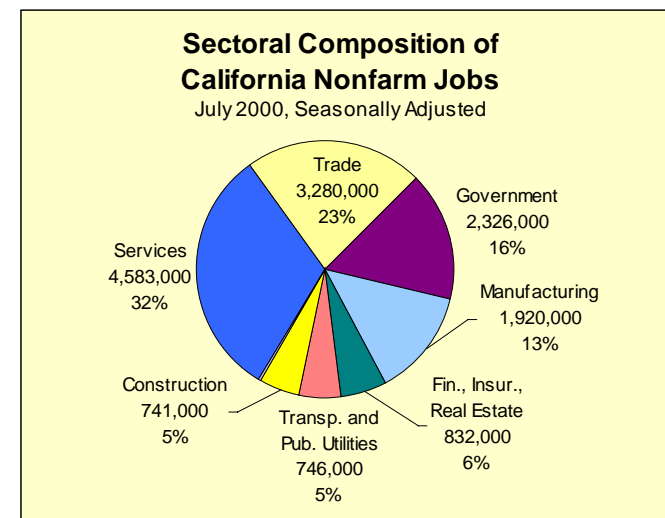
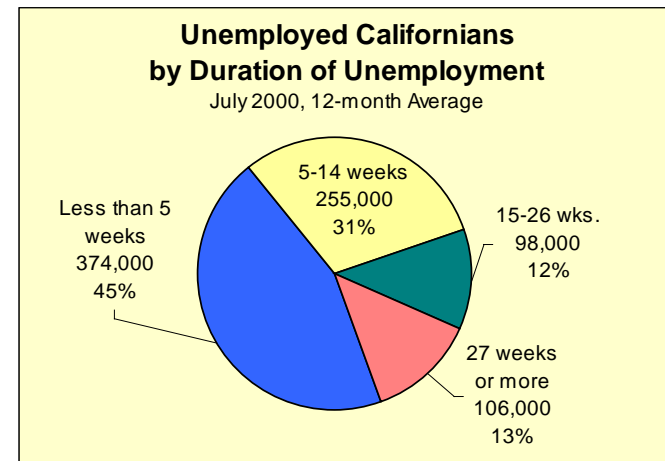
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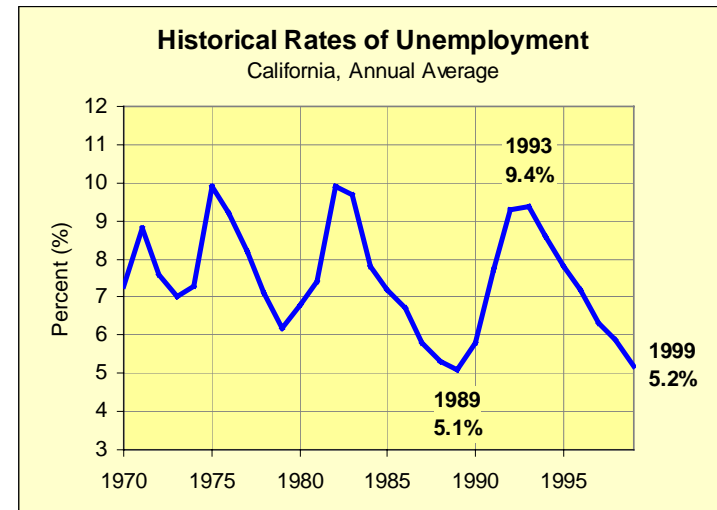
A FEW BASIC FACTS

- There are over 16 million working Californians. Most are wage and salary employees, while about 10 percent are self-employed. Four out of five employed Californians work full-time and 5 percent hold more than one job.
- Two-thirds of California's population 16 years and older either have a job or are actively looking for work. The remainder of the working-aged population are not in the labor force, a category that includes primarily homemakers, students, and retirees.
- As of July 2000, there are 850,000 unemployed Californians, 600,000 fewer than at the depth of the 1990-93 recession. Nearly half of the unemployed have been unemployed less than five weeks.
- California is one of the nation's fastest growing labor markets, having outstripped nonfarm job growth nationwide for more than four years.
- One-third of California nonfarm jobs are in the services sector. One-quarter are in retail and wholesale trade. Government and manufacturing are the next largest employers.



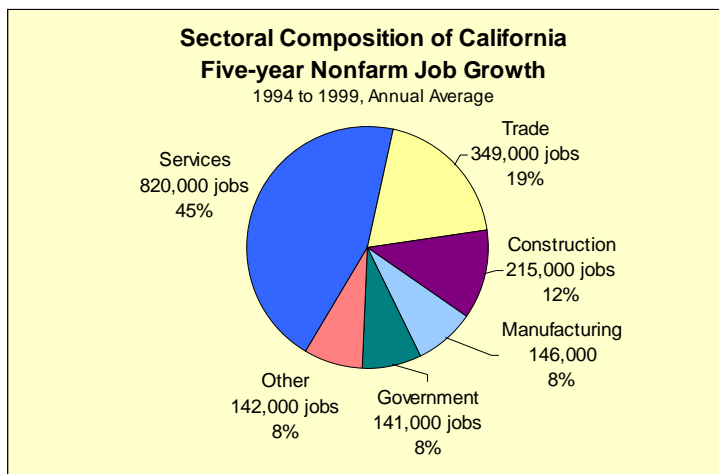
CALIFORNIA HAS JOINED THE MAINSTREAM OF ECONOMIC WELL-BEING

- The state unemployment rate averaged 5.2 percent in calendar year 1999, the second lowest annual average rate in 30 years. In July 2000, this rate had fallen to 5.0 percent.
- The unemployment rate in California has drawn steadily closer to the U.S. rate. The California unemployment rate in 1999 was just 1 percentage point higher than the U.S. rate (4.2 percent). It remained 1 percentage point higher in July 2000, when the U.S. rate was 4.0 percent. By comparison, the state rate was more than 2 percentage points higher than the nationwide average five years ago.
- California job growth in 1999 (2.8 percent) exceeded the comparable nationwide growth (2.3 percent), as it had in every year since 1996.
- Already in the first seven months of 2000, California has added over a quarter of a million jobs, which account for 19 percent of U.S. job growth over the same period. If this pace were sustained in the remainder of the year, the annual rate of state job growth in 2000 would be 3.4 percent, up from 2.8 percent in 1999.



JOB GROWTH IS WIDESPREAD ACROSS ECONOMIC SECTORS

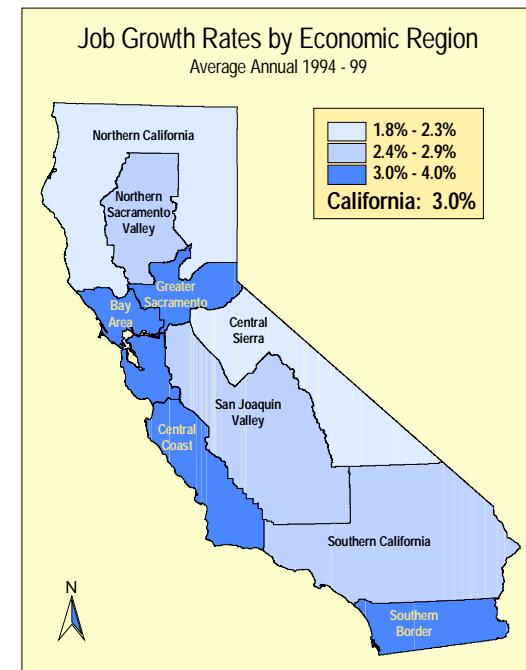
- Over the past five calendar years (1994 to 1999), nonfarm payroll employment in California rose 1.8 million jobs. The services sector added the most jobs over the five-year period, followed by trade and construction, then by manufacturing and government.
- Over the five-year period, construction – which accounts for 5 percent of nonfarm jobs – registered the fastest rate of job growth, 46 percent. Services and transportation and public utilities also recorded relatively fast job growth.



- Over the most recent 12 months ending in July 2000, construction continued to lead other sectors in growth rates, at nearly 9 percent. Services led absolute job growth, 190,000 jobs, although trade, government, and construction each added more than 50,000 jobs.
- Widespread employment growth over the past 12 months did not include the mining and manufacturing sectors, where several industry groups recorded job losses.
- Based on current trends, economic growth is anticipated to accelerate in 2000, compared to 1999, fueled by consumer spending, booming construction and real estate activity, recovering exports, and slowing job losses in the aerospace/defense industries.
- Economists point to stock prices and interest rates as sources of uncertainty in the economic outlook period. Stock options, which are counted in wages when exercised, ballooned in 1999. Higher short-term interest rates will act as a brake on the economy.

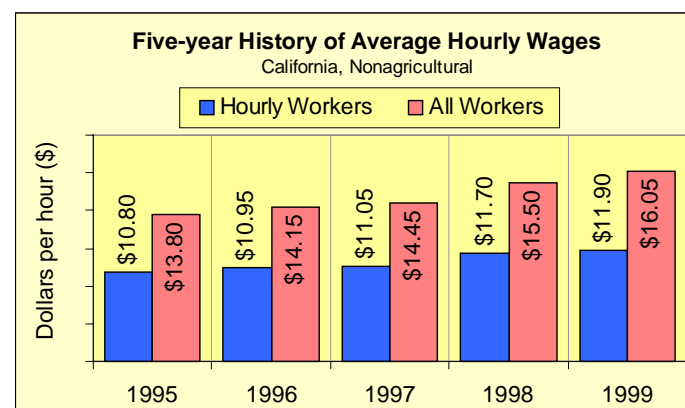
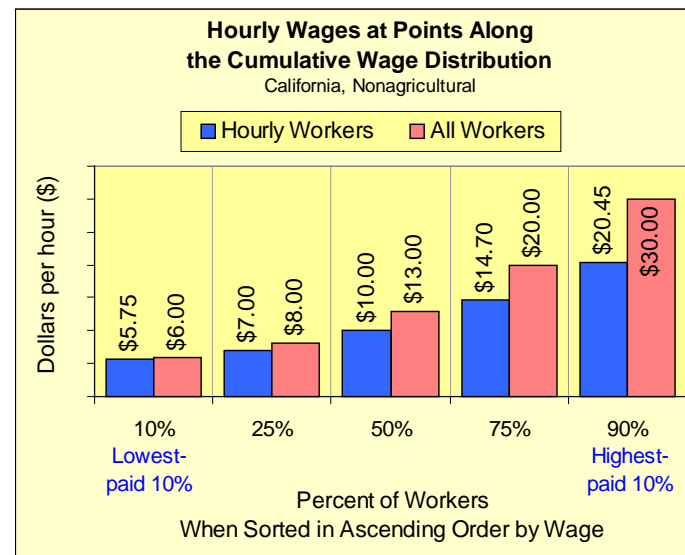
REGIONAL ECONOMIES HAVE SEEN FIVE YEARS OF JOB GROWTH

- Regional economies are characterized by a homogeneous and/or interdependent industry structure and active economic exchange of labor, goods and services.
- All of California's regional economies saw uninterrupted annual job growth from 1994 to 1999.
- On an average annual basis, the fastest rate of job growth from 1994 to 1999 was recorded by the Southern Border economy (4 percent). Three other regions saw faster average job growth than the state as a whole (3 percent).
- The five most populous regional economies contributed 95 percent of regional job growth in California over the past five years: Southern California, the Bay Area, Southern Border, Greater Sacramento, and the San Joaquin Valley.
- In 1999, regional unemployment rates ranged from a low of 3.1 percent in the Bay Area to 12.1 percent in the San Joaquin Valley. The comparable statewide rate was 5.2 percent.
- Unemployment rates were lower in 1999 than five years ago in all nine of California's regional economies. Over the period, regional unemployment rates fell 2.3 to 4.1 percentage points while the statewide rate fell 3.4 percentage points.



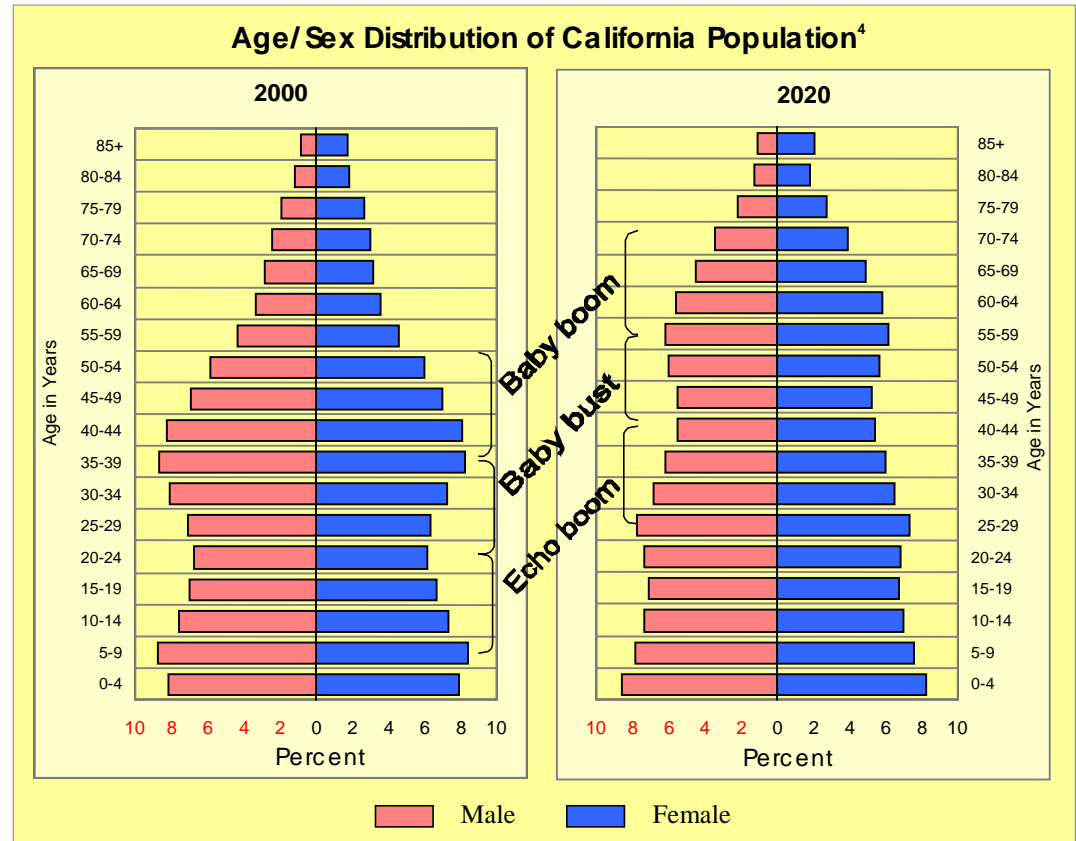
WAGES EARNED BY CALIFORNIA NONAGRICULTURAL WORKERS

- The median hourly wage for California hourly workers in 1999¹ was \$10 per hour. One-half of hourly workers earned more than \$10 per hour, and one-half earned less. The median hourly earnings² among all wage and salary workers was \$13 per hour.
- Hourly earnings of the highest-paid 10 percent of wage and salary workers in 1999 (\$30 per hour) were five times the hourly earnings of the lowest-paid 10 percent (\$6 per hour).
- The average wage among *all* California nonagricultural wage and salary workers rose 16 percent from 1995 to 1999, from near \$14 to \$16 per hour. This was nearly twice the rate of California inflation (9 percent).³
- Wages rose all along the wage distribution from 1995 to 1999, though not by the same amount. Wages of the lowest-paid 10 percent of hourly workers rose 21 percent, which corresponds to changes in the minimum wage.



CALIFORNIA'S AGING POPULATION WILL BE RETIRING

- The babyboom cohort comprises the bulge in the middle of the California age/sex distribution pyramid in 2000⁴. The smaller babybust generation, also known as generation X are ages 23 to 35 years. Near the bottom of the 2000 pyramid, is another boom referred to as the babyboom “echo” or “echo boom” or generation Y.
- In 2020, the echo boom can be seen more clearly as a growing percentage of the labor force. Also, the chart shows a third bulge emerging at the bottom of the pyramid – the children of the echo boom.
- Over the next several years, the need for school teachers will continue to increase. Demand for teachers will rise as the large echo boom moves through their school-age years, but even more importantly, large numbers of current teachers will be retiring.



END NOTES

¹ The source for these data is the Current Population Survey (CPS), a monthly survey of a sample of U.S. households conducted by the U.S. Bureau of the Census for the U.S. Bureau of Labor Statistics. Data reflects direct tabulations from the CPS; no adjustments were made for data issues such as topcoding or incomplete reporting by individuals. Making such adjustments would require assumptions which are subject to debate.

² Wages among hourly workers were those stated by individuals, excluding tips, commissions, and overtime. Hourly earnings for all workers were derived by dividing responses to a question on usual weekly earnings by the responses to a question on usual weekly hours. Hourly earnings include tips, commissions, and overtime. The source of these data is the Current Population Survey (CPS). See note 1 above.

³ Source: California Department of Industrial Relations, California Consumer Price Index, Urban Wage Earners and Clerical Workers.

⁴ Source of Population Projections: California Department of Finance, *Race/Ethnic Population with Age and Sex Detail, 1970-2040*, 1998.